

REMARKS

In the Office Action of September 10, 2003, claims 1-5, 7-9, 11-81 and 83-108 were rejected under 35 U.S.C. 102(e) as anticipated by Patent Application Publication US 2002/0029188 A 1 to Schmid. Dependent claims 6, 10 and 82 were rejected under 35 U.S.C. 103(a) as unpatentable over Schmid. The Schmid publication is based on application serial no. 09/742,791, filed December 20, 2000 which claims priority to provisional application no. 60/172,736, filed December 20, 1999.

Schmid describes and claims a computer-assisted method for conducting an open auction of loans. Data on a desired loan is collected (claim 1, paragraph a). Possible lenders are notified electronically of the requested loan and invited to submit a quote (claim 1, paragraph b). The received quotes are posted to a database that may be viewed by the prospective borrower (claim 1, paragraph c). The borrower then selects the quotes that are of interest and the system invites the lender who provided those quotes to participate in a final quote event (claim 1, paragraph d). In the final quote event, the received quotes are displayed to the borrower (claim 1, paragraph e1) and each participating lender is provided that lender's proposed term and the best terms from among the other received quotes (claim 1, paragraph e2). Each lender is also provided options to improve his quote (claim 1, paragraph e3). The borrower then makes his final selection (claim 1, paragraph f). Independent claim 8 recites substantially the same limitations in means plus function format, and independent claim 9 recites substantially the same limitations, but with respect to computer instructions for performing the method. The other claims are all dependent claims.

Applicants are submitting herewith a Declaration under 37 C.F.R. 1.131 establishing conception of their invention and the commencement of due diligence prior to the December 20, 1999 filing date of the provisional application no. 60/172,736. Applicants, however, do not concede that any claim of the Schmid application is entitled to the benefit of the filing date of provisional application no. 60/172,736. Applicants are also submitting herewith a Declaration under 37 C.F.R. 1.131 by their attorney Frances E. Morris providing attorney time records relating to the preparation of the present application. Applicants' Declaration is presently unsigned but a signed copy will be provided shortly.

Applicants' Declaration submits portions of the Precept LLC Company Overview of December 13, 1999 and a Task List that was prepared prior to December 20, 1999. The

Precept LLC Company Overview was distributed to prospective investors in connection with the Precept's second round of financing in December 1999. The Task List details work to be done in implementing the system that is the subject of the present application. The Task List enumerates specific tasks followed by the initials of the individual or individuals responsible for completion of the task. As will be apparent, several people were involved in implementing the system. The initials JH and FS are the initials of Joseph Heil and Frank Scavone, two of the inventors.

Both the four page section entitled Precept Process Overview and Article I, pages 1-4 in the Precept LLC Company Overview provide a summary of the Precept loan auction program and a description of the present invention. In particular, Article I states that the program includes an Underwriting Phase, an Auction Phase and a Closing Phase. With reference to the first paragraph of applicants' claim 1, the first paragraph of Article I states that the "underwriting process involves the gathering, analyzing and summarizing of information relating to the cash flow of each Property." The borrower has the option to select any one of the three levels of underwriting as detailed in sections (b)(i), (ii) and (iii) on pages 2 and 3 of Article I.

Upon completion of the underwriting phase, the borrower can proceed to the auction phase. In the auction phase, as stated in section (d)(i) of Article I, Precept will post "the terms of the financing requested by the Borrower and the underwriting information... for review by Registered Lenders." And as stated in section (d)(iv), Precept will then conduct an Auction. Finally, the borrower has the opportunity to accept a Bid as stated in section (d)(vi). These elements establish the conception of the remaining paragraphs of claim 1.

Many of the tasks required for implementation of the underwriting phase of the invention are specified in the Task List. In addition, at least items 36, 38 and 39 at the bottom of page 2 and the top of page 3 relate to the auction phase.

As will be apparent from the completion dates specified in the Task List, efforts to implement the applicants' invention were well underway well before December 20, 1999.

In addition to the investors' efforts to reduce their invention to practice by implementing it, invention disclosure information concerning applicants' invention was provided to their attorney in February 2000. Records relating to the preparation of the application are attached to the Declaration of Frances E. Morris.

The evidence of conception of the invention of independent claims 39 and 74 is substantially the same as that of claim 1 since it was evident from the start that applicants' invention was to be implemented in a computer system.

Likewise, most of the details of the dependent claims are also set forth in the Precept LLC Company Overview and the Task List.

Several features of applicants' inventions that provide additional distinction from the Schmid system are the subject of new claims 109-111. Claim 109 recites the additional step of underwriting the potential loan. While Schmid collects underwriting information and makes it available to potential lenders in his Summary Project Data Files or Complete Project Data Files, there is no indication that he actually performs the underwriting.

As detailed at page 10, line 28, through page 12, line 6, the borrower in applicants' system has the opportunity to select one of the levels of underwriting at selection step 44 of FIG. 4. Once the borrower commits to the loan process, the underwriting process begins. This process is described in detail at page 11, line 13 through page 12, line 2 and at page 12, line 16 through page 13, line 32 and is depicted in FIGS. 6 and 7. Regardless of which level of underwriting is selected, a net cash flow analysis is performed and is verified by reconciliation to appropriate information such as source documents, market information in and relevant industry operating ratios. See page 11, lines 7-12. Preferably, the net cash flow analysis is reviewed by a national statistical rating agency. A property site inspection may also be performed.


Applicants' step of underwriting the loan provides substantial benefit to the borrower and the potential lenders because the lenders are able to rely on the underwriting process in assessing the risk of the loan. The borrower benefits because the reduced risks to the lender should result in more favorable terms.

Claims 110 and 111 specify that the auction uses a sealed bid and claim 111 specifies that an open bid is also used if the sealed bid is not accepted. The use of a sealed bid is advantageous to the borrower because the lenders are not able to make their bids with knowledge of their competitors' bids.

In light of the above amendments and remarks, the Applicants respectfully request that the Examiner reconsider this application with a view towards allowance. The Examiner is invited to call the undersigned attorney if a telephone call could help resolve any remaining items.

Respectfully submitted,

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 24,615
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